

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** April 29, 2008 (As amended April 24, 2008 by the Senate)

**Bill Number:** S.B. 1141

**Authors:** McConnell; Rankin; Martin; Leventis, *et. al.*

**Committee Requesting Impact:** Senate

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### Bill Summary

A bill to amend Section 12-36-2110, of the Code of Laws of South Carolina, 1976, relating to the calculation of tax on manufactured homes, so as to refine the definition of a manufactured home that is subject to a maximum sales tax because it meets certain energy efficiency standards; and to amend Chapter 52, Title 48, by adding Article 10 so as to establish an incentive program for the purchase and installation of energy efficient manufactured homes in South Carolina.

### REVENUE IMPACT <sup>1/</sup>

This bill, as amended, is expected to reduce General Fund individual income tax revenue by an estimated \$202,500 in FY2009-10. This amended bill would also reduce sales and use tax by an estimated \$81,000 in FY2009-10. Of this amount, General Fund sales and use tax would be reduced by \$64,800 and E.I.A. funds would be reduced by \$16,200 in FY2009-10.

### Explanation of Amendment (April 24, 2008) – By the Senate

This amendment would amend Section 12-6-3587(A) to allow a taxpayer a nonrefundable income tax credit of twenty-five percent of the costs incurred by the taxpayer for purchase and installation of systems that maximize energy efficiency such as demand response, daylighting and heat reclaim systems. These solar energy technologies are not currently employed in South Carolina and would not, therefore, have an impact on state General Fund revenue in FY2009-10.

### Explanation of Amendment (April 23, 2008) – By the Senate Finance Committee

This amendment would replace a \$750 rebate to a manufactured housing retail dealership with a nonrefundable individual income tax credit of \$750 to an individual for the purchase of a qualified ENERGY STAR manufactured home purchased between July 1, 2009 and July 1, 2019. The amendment would also exempt a qualified ENERGY STAR manufactured home from any sales tax, effectively eliminating \$300 in sales tax from each manufactured home sold after July 1, 2009. Multiplying an estimated 270 manufactured homes by a \$750 nonrefundable income tax credit would reduce General Fund individual income tax revenue by an estimated \$202,500 in FY2009-10. Also, multiplying 270 manufactured homes by \$300 sales tax exemption would reduce sales and use tax by an estimated \$81,000 in FY2009-10. This amendment also changed the effective date of the act from “upon approval of the Governor” to July 1, 2009.

### Explanation of Bill filed February 21, 2008

This bill would add Section 48-52-870 to establish the Energy Efficient Manufactured Homes Incentive Program to provide a financial incentive for the purchase and installation of energy efficient manufactured homes. A retail dealership licensed by the South Carolina Manufactured Housing Board that sells a manufactured home that has been designated by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE) as meeting or exceeding each agency’s ENERGY STAR program would be eligible for a \$750 rebate. ENERGY STAR efficient manufactured homes are priced \$3,000 to \$5,000 higher than typical energy efficient manufactured homes designed to the older energy efficient standards. We anticipate that the \$750 dealer rebate would be used to

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lower the price of the manufactured home to encourage the sale of these homes and the rebate incentive would remain with the dealer. The dealer would submit a rebate application to the S.C. Energy Office to claim the rebate. Upon verification, the Energy Office would compensate the manufactured home dealer for the sale of the ENERGY STAR energy efficient manufactured home. This bill also amends Section 12-36-2110(B) to replace older energy efficiency standards with those designated by the U.S. EPA and the U.S. DOE under the ENERGY STAR program. This bill does not change the sales tax calculation on the purchase of a manufactured home; however, because the sales price of the manufactured home would be reduced by \$750 there would be a loss of sales tax revenue. If an estimated ten percent of new manufactured homes sold meet the ENERGY STAR program requirements, multiplying \$750 by a two percent sales tax rate by 270 manufactured homes sold would reduce sales and use tax by an estimated \$4,050 in FY2008-09. The Energy Office would need to have sufficient funds on hand to compensate all manufactured home dealers rebate requests. Based on the above analysis, the General Assembly would need to appropriate \$202,500 to the Energy Office to fulfill all rebate requests. If the amount of rebate applications exceeds the funds on hand, the General Assembly would need to appropriate additional funds to cover the rebates. This bill will establish an open-ended appropriation.

/s/ WILLIAM C. GILLESPIE, PH.D.

William C. Gillespie, Ph.D.  
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<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.